197—12.4(534) Disclosure. Prior to accepting an application for a home loan, an association must provide each loan applicant with a written disclosure describing in plain language the specific terms of the loan offered to the applicant. The purpose of the disclosure is to make a good faith attempt to explain to the applicant the operation of the loan being offered. The disclosure does not alone constitute a commitment on the part of an association to make a loan to a loan applicant. The disclosure shall contain the following information that is relevant to the type of loan being offered:

a. A general explanation of the fact that:

(1) The association and the applicant become bound by the terms of the loan contract upon signing it,

(2) Even though subsequently either party may request modification of the contract, neither party is bound to agree to such a request, and

(3) Since normally the contract and mortgage (or deed of trust) alone establish the rights of the borrower, the borrower should be familiar with and understand the provisions of the contract.

b. The term to maturity, and any provisions of the loan contract that would authorize the association to lengthen or shorten the term to maturity.

c. The initial interest rate and, if the contract provides for adjustment of either the interest rate, the payment, the loan balance or the term in accordance with changes in an index, the base index rate, or, if neither fact is known, the manner in which the initial interest rate and base index rate will be established.

d. The amount of the initial payment, if known, and an explanation of the amortization schedule for the loan, including how the association determines both the amount of each payment and what proportion of each payment is credited to interest.

e. The terms under which the association must offer to refinance a partially amortized (balloon) loan at the time the balloon payment is due (maturity).

f. A good faith example of how the interest rate, the payment, the loan balance, or the term to maturity may be adjusted (including identification of the index(es) to be used and how index values may be obtained by the borrower), and how the adjustment of one item may affect the others.

g. What information will be contained in each notice of an adjustment or, in the case of partially amortized or nonamortized loans, of maturity, and how far in advance of an adjustment or maturity each notice will be provided.

h. Whether the loan contract will provide for escrow payments, the purpose of requiring escrow payments, and how the amount of an escrow payment is established.